

**CITY OF EPWORTH**

**INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING  
AGREED-UPON PROCEDURES**

**FOR THE PERIOD  
JULY 1, 2013 THROUGH JUNE 30, 2014**

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# CITY OF EPWORTH

## OFFICIALS

<u>Name</u>	<u>Title</u> (Before January, 2014)	<u>Term Expires</u>
Tom Gassman	Mayor	Jan. 2016
Jacob Reuter	Mayor Pro tem	Jan. 2014
Lee Hoerner	Council Member	Jan. 2014
Justin Bettcher	Council Member	Jan. 2014
Larry Biermann	Council Member	Jan. 2016
Dana Nadermann	Council Member	Jan. 2016
Janet Berger	City Clerk/Treasurer	Indefinite
Fuerste, Carew, Juergens and Sudmeier	Attorneys	Indefinite
(After December, 2013)		
Tom Gassman	Mayor	Jan. 2016
Jacob Reuter	Mayor Pro tem	Jan. 2018
Larry Biermann	Council Member	Jan. 2016
Dana Nadermann	Council Member	Jan. 2016
Marty Horsfield	Council Member	Jan. 2018
Gary Gansen	Council Member	Jan. 2018
Janet Berger	City Clerk/Treasurer	Indefinite
Fuerste, Carew, Juergens and Sudmeier	Attorneys	Indefinite

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## **INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES**

To the Honorable Mayor  
And Members of the City Council:

We have performed an agreed-upon procedures engagement of the City of Epworth pursuant to Chapter 11.6 of the Code of Iowa enacted by the Iowa Legislature to provide certain minimum oversight of Iowa cities. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of Epworth for the period July 1, 2013 through June 30, 2014. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in Government Auditing Standards, issued by the Comptroller General of the United States.

The procedures we performed are summarized as follows:

1. We reviewed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. We reviewed the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. We reviewed security bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. We obtained and reviewed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.
5. We reviewed City funds for consistency with the City Finance Committee's recommended Uniform Chart of Accounts (COA) and to determine required funds and fund balances are properly maintained and accurately accounted for.

6. We reviewed the City's fiscal year 2013 Annual Financial Report to determine whether it was completed and accurately reflects the City's financial information.
7. We reviewed compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa pertaining to required depository resolutions, investment policy and reporting of unclaimed property to the State of Iowa.
8. We reviewed debt, including general obligation and revenue bonds/notes, and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and to determine whether the debt and related proceeds and repayments were properly accounted for.
9. We reviewed and tested selected tax increment financing (TIF) transactions, including receipts, disbursements and transfers, for compliance and accurate accounting, including compliance with the TIF reporting requirements of Chapter 384.22 of the Code of Iowa.
10. We reviewed the City's TIF debt certification forms filed with the County Auditor, including requests for collection of reduced TIF amounts and to decertify certain TIF obligations, as applicable for proper support and compliance with Chapter 403.19(6) of the Code of Iowa.
11. We reviewed and tested selected receipts for accurate accounting and consistency with the recommended COA.
12. We reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the recommended COA and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
13. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.
14. We reviewed and tested selected payroll and related transactions for propriety, proper authorization, and accurate accounting.
15. We reviewed the annual certified budget for proper authorization, certification, and timely amendment.



Based on the performance of the procedures described above, we identified various recommendations for the City. Our recommendations are described in the Detailed Recommendations section of this report. Unless reported in the Detailed Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

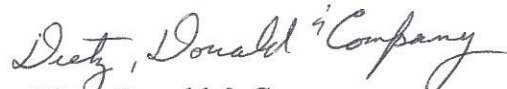
We were not engaged to and did not conduct an audit of the City of Epworth, the objective of which is the expression of opinions on the City's financial statements. Accordingly, we do not express opinions on the City's financial statements. Had we performed additional procedures, or had we performed an audit of the City of Epworth additional matters might have come to our attention that would have been reported to you.

This report, a public record by law, is intended solely for the information and use of the officials, employees, citizens and customers of the City of Epworth and other parties to whom the Epworth may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Epworth during the course of our agreed-upon procedures. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Elkader, Iowa

September 26, 2014

  
Dietz, Donald & Company  
Certified Public Accountants  
FEIN 42-1172392

## DETAILED RECOMMENDATIONS

CITY OF EPWORTH  
DETAILED RECOMMENDATIONS  
For the Period July 1, 2013 through June 30, 2014

(A) Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one employee has control over each of the following areas of the City:

- (1) Accounting system - performing all general accounting functions, including journal entries, and having custody of assets.
- (2) Receipts - opening mail, collecting, depositing, journalizing, reconciling and posting.
- (3) Debt - recordkeeping, compliance and debt payment processing.
- (4) Journal entries - preparing and journalizing.
- (5) Disbursements - purchasing, invoice processing, check writing, mailing, reconciling, and recording.
- (6) Payroll - entering rates into the system, recordkeeping, preparing and distributing.
- (7) Computer system - performing all general accounting functions and controlling all data input and output.
- (8) Financial reporting - preparing and reconciling.

Recommendation - We realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations and journal entries should be evidenced by the signature or initials of the reviewer and the date of the review.

(B) City Council Minutes - Three of the four monthly minutes reviewed did not include total disbursements from each fund. Also, three of the four monthly minutes reviewed did not include a summary of receipts. In addition, two of the four monthly minutes reviewed did not include a list of all claims allowed (including the reason for the claim).



CITY OF EPWORTH  
DETAILED RECOMMENDATIONS  
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Recommendation - The City should comply with the Code of Iowa by publishing all claims, a summary of all receipts, and total disbursements by fund, as required.

- (C) Business Transactions - Business transactions between the City and City officials are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Jacob Reuter, Mayor Pro tem, Vice- President/CFO/Shareholder East Iowa Mechanical	Dump truck services	\$ 3,263
Larry Biermann, Council Member, Employee Victory Ford	Pick-up Truck	23,638

In accordance with Chapter 362.5(K) of the Code of Iowa, these transactions may represent a conflict of interest since total transactions were more than \$ 2,500 during the fiscal year, and although the City received competitive quotes, the transactions were not competitively bid.

Recommendation - The City should consult legal counsel to determine the disposition of this matter.

- (D) Electronic Check Retention - Chapter 554 D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The City does not receive an image of the back of each cancelled check.

Recommendation - The City should obtain and retain images of both the front and back of cancelled checks as required by Chapter 554 D.114 of the Code of Iowa.